FAS REPORT

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Foreign
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Service
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WEEKLY ROUNDUP OF WORLD PRODUCTION AND TRADE WR 32-83

WASHINGTON, Aug. 10--The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade:

EC TRADE NOTES

The EUROPEAN COMMUNITY (EC) COMMISSION has published recommendations for reform of the Common Agricultural Policy (CAP). The increasingly costly CAP and member-country reluctance to increase general revenue taxes to finance it are the major incentives behind the reforms.

Among the proposed reforms are a limit on imports of corn gluten feed and citrus pellets and a tax on vegetable oils. This proposal utilizes General Agreement on Tariffs and Trade (GATT) articles 11, 19 or 28 to impose a consumption tax on vegetable oils and to raise 600 million ECU's (approximately $565 million). The proposal is of particular concern to the United States. The EC contends that the vegetable oil tax would be consistent with GATT because it would apply to oil produced from both domestic and imported oilseeds. The United States has not accepted this interpretation of the GATT, opposing any actions affecting our access to the EC for such a key commodity as soybeans. Although no proposal to directly limit imports of soybeans or soybean meal has been made, the proposed tax on vegetable oils would affect not only the United States, but also many developing countries that depend on vegetable oil and other agricultural exports to the EC. These countries also are likely to oppose the measures.

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The EUROPEAN COMMUNITY continues to aggressively authorize wheat exports; export authorizations of 2.3 million tons through August 4 are 20 percent greater than the level of exports authorized this time last year. At the August 4 tender, the EC raised the maximum export restitution (subsidy) by $15 per ton to nearly $35, which together with the corrective subsidy for August, means a total export subsidy of about $70 per ton.

In contrast, the EC dropped its maximum barley subsidy level by nearly $10 per ton, making it the first time this season that the wheat export subsidy is greater than the barley export subsidy. This shift in export emphasis might be related in part to last week's decision by the EC to limit wheat intervention storage for the first three months of the season, and the subsequent fear that large free supplies of wheat will depress local prices as the new crop is harvested. Another cause might be reduced barley crop prospects and the need to retain adequate domestic barley supplies.

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GRAIN AND FEED

THAILAND's Ministry of Commerce has announced a change in corn trade policy for the 1983/84 season. Thailand will attempt to move away from its traditional reliance on supply agreements and barter arrangements. Reportedly, even Japan--one of Thailand's major buyers--is likely to be offered the option of marketing on a free trade basis instead of within the framework of an export agreement. More recently, the Thailand Maize and Produce Traders Association has come out publicly against the negotiation of any long-term contracts--specifically with Japan, China and Taiwan--because of price-related problems associated with earlier agreements. In the past, Thai barter arrangements traded corn in return for fertilizer from the USSR and Eastern Bloc countries. Thailand appears to be moving away from this type of barter because of current strong corn prices and an adequate local supply of fertilizer.

OILSEEDS AND PRODUCTS

SOUTH AFRICA will have to import substantial quantities of sunflower and cottonseed meal, according to trade sources. The need for imports is due mainly to the effects of drought. Overall import needs were not quantified, but one buyer indicated a need for his firm of 60,000 tons between now and mid-1984.

DAIRY, LIVESTOCK AND POULTRY

SOUTH KOREA has raised the duty on its tariff quota level of beef tallow imports from 10 percent to 12 percent for the second half of 1983. Since 1974, South Korea has been using a "flexible tariff system" under which tariffs on certain items are changed temporarily to meet specific economic goals. The changes usually last for a period of six months.

For the first half of 1983, the South Korean flexible tariff on beef tallow was set at 10 percent until imports reached the quota ceiling of 110,442 tons. Under the present guidelines, the first 111,443 tons of beef tallow imported during the second half of 1983 are subject to a duty of 12 percent, after which the general tariff of 20 percent will take effect. During January-June 1983, the United States exported 21,849 tons of inedible tallow to Korea, down 42 percent from the same period of a year ago. Tallow consumption in Korea continues to decline as relatively cheaper imported palm oil is being substituted in both food and soap use.

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SOUTH AFRICA's cattle numbers on commercial farms are expected to decline about 3 percent during 1983, according to the U.S. agricultural counselor in Pretoria. The decline is due to the drought, which is expected to continue until at least October when summer rains usually start. Losses on noncommercial farms are not known. Beef production was up 7 percent to 582,000 tons in 1982 and is expected to remain at this level this year due to drought-induced slaughter. For 1984, beef production is forecast to fall sharply.

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YUGOSLAVIA's pork production (accounting for over 50 percent of total red meat and poultry production) is expected to fall 4 percent during 1983 to 755,000 tons, according to the U.S. agricultural attache in Belgrade. Further declines are expected next year. The drop in pork production seems to be due to the high cost of imported feeds and unfavorable official government prices for pork. The production of beef, sheep meat and poultry is expected to be slightly above the 1982 level and may show some additional expansion next year.

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Broiler production in KOREA during 1983 is forecast at 113,000 tons, 14 percent above 1982, according to the U.S. agricultural counselor in Seoul. Small increases in slaughter prices and small declines in feed prices have provided producers with incentives to expand.

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Despite the drought, milk production in AUSTRALIA is estimated to have reached 5.65 million tons in 1982/83, an increase of 4 percent from year-earlier levels. Two factors that enabled the dairy industry to expand are: most dairy production is located outside the area of severe drought and in regions where irrigation-grown feeds are available; and favorable prices for milk made supplemental grain feeding profitable. With more milk available, production of dairy products showed increases--cheese was up 3 percent to 153,000 tons, butter was up 13 percent to 86,000 tons, nonfat dry milk was up 11 percent to 91,000 tons, and casein was 50 percent above 1981/82 at 12,000 tons.

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In the UNITED KINGDOM (U.K.), pork production is expected to be up 6 percent in 1983 to 1.037 million tons, according to the U.S. agricultural counselor in London. The rise in slaughter this year is due in part to the U.K.'s Aujeszky's disease (pseudo-rabies) eradication program, which requires slaughter of infected animals. Meat quality is not affected by the disease. Sow slaughter this year is expected to be up 25 percent, both because of the disease eradication program and low pig prices. As a result of the above normal slaughter, hog numbers at year's end and pork production next year will both decline.

COTTON AND FIBERS

The UNITED STATES and CHINA agreed to a new five-year bilateral textile trade agreement on July 30. This second textile agreement follows seven rounds of talks which began in August 1982. The new agreement is retroactive to Jan. 1, 1983, and will expire at the end of 1987. The first U.S.-China textile agreement, signed in Sept. 1980, expired on Dec. 31, 1982. The two countries are expected to exchange notes and officially sign the new agreement in the near future. Full details of the agreement will be announced following the official diplomatic notes exchange.

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TOBACCO

In the UNITED STATES, 1983 flue-cured tobacco auction markets opened on July 27. Sales for the first six days (through August 4) totaled 54.4 million pounds and averaged $147.45 per 100 pounds. During the first six days of sales last year, 87.8 million pounds sold for an average price of $156.62 per 100 pounds. More than 34 percent of the tobacco offered this year has gone under loan, compared with 29 percent during the first six days of the 1982 season.

Weak demand is the primary reason for the lower 1983 prices and higher loan take. Several foreign manufacturers that traditionally purchase heavily early in the season are reportedly not placing orders this year or are drastically cutting the amount of their orders. Domestic buyers may be reacting to soft cigarette demand at home and a desire to reduce stocks.

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MALAWI's 1983 tobacco crop estimate has been lowered to 77,150 tons, 7 percent below the June estimate but nearly one-third larger than last year's crop. Revised estimates--in tons--for each leaf type, with June estimates in parentheses, are as follows: flue-cured - 22,750 (24,000); burley - 44,000 (48,000); fire-cured - 9,300 (9,500); dark air/sun-cured - 800 (1,200); and oriental - 300 (600). The 1983 revised tobacco area estimates included flue-cured at 13,889 hectares and burley at 40,065 hectares--both up slightly from June estimates. Although revised downward, the burley crop remains a record.

COFFEE, TEA AND COCOA

KENYA's 1983/84 green coffee production is estimated at 1.53 million 60-kilogram bags, 5 percent above the 1982/83 crop. Coffee yields are forecast to be higher as a result of improved weather conditions and greater availability of inputs, such as fertilizers and chemicals. Harvested area is not expected to change. Unfavorable weather and the lack of critical inputs helped reduce the 1982/83 crop to 1.46 million bags, 2 percent below the 1981/82 level.

Coffee exports are now expected to total 1.44 million bags during 1982/83, 5 percent less than anticipated earlier and 15 percent below 1981/82 due to reduced sales to non-International Coffee Organization countries. Strong demand for Kenya's quality coffee has pushed auction prices for sales to quota markets to their highest level in several years, while prices offered for sales to non-quota markets have fallen to the point where such sales have been suspended temporarily.

Kenyan coffee stocks are expected to decline to about 657,000 bags by Sept. 30, 1984, down 5 percent from one year earlier and 32 percent below record holdings of 1.011 million bags on that date in 1982.

Selected International Prices

Item	Aug. 9 1983		Change from previous week	A year ago
ROTTERDAM PRICES 1/	$ per MT	$ per bu.	$ per MT	$ per MT
Wheat:				
Canadian No. 1 CWRS-13.5%.13/	199.50	5.43	-3.50	197.00
U.S. No. 2 DNS/NS: 14%...	182.50	4.97	-.50	170.00
U.S. No. 2 DHW/HW: 13.5%..	N.Q.	--	--	N.Q.
U.S. No. 2 S.R.W.........	163.00	4.44	-1.00	137.00
U.S. No. 3 H.A.D.........	201.00	5.47	-0-	166.00
Canadian No. 1 A: Durum..13/	209.50	5.70	+.50	186.00
Feed grains:				
U.S. No. 3 Yellow Corn....	164.00	4.17	+2.00	112.00
U.S. No. 2 Sorghum 2/.....	N.Q.	--	--	N.Q.
Feed Barley 3/...........	N.Q.	--	--	N.Q.
Soybeans and meal:				
U.S. No. 2 Yellow.........	308.50	8.40	+18.50	234.75
Brazil 47/48% SoyaPellets 4/	262.50	--	+14.50	211.50
U.S. 44% Soybean Meal.....	258.00	--	+15.00	204.00
U.S. FARM PRICES 5/				
Wheat.....................	122.36	3.33	-.36	116.84
Barley....................	90.94	1.98	+10.10	77.62
Corn......................	131.49	3.34	+3.94	90.55
Sorghum...................	118.17	5.36 6/	+1.10	85.98
Broilers 7/..............	1125.32	--	+29.54	N.A.
EC IMPORT LEVIES				
Wheat 8/.................	65.80	1.79	-7.07	104.37
Barley....................	60.10	1.31	-15.12	93.42
Corn......................	29.35	.75	-14.73	94.45
Sorghum...................	63.40	1.61	-3.20	95.55
Broilers 9/..............	265.00	N.Q.	-8.00 *	229.00
EC INTERVENTION PRICES 11/				
Common wheat(feed quality)	155.90	4.24	-1.95	173.01
Bread wheat.(min. quality)	172.10	4.68	-2.15	191.76
Barley and all other feed grains.......	155.90	--	-1.95	173.01
Broilers 11/.............	1098.00	N.Q.	-35.00	N.Q.
EC EXPORT RESTITUTIONS (subsidies)				
Wheat 12/................	33.30	.91	+14.25	N.Q.
Wheat flour..............	N.Q.	N.Q.	N.Q.	N.Q.
Barley....................	28.18	.61	-9.94	N.A.
Broilers 9/..............	190.00	N.Q.	-6.00 *	196.00
Sugar, refined	N.A.	N.A.	N.A.	N.A.

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Optional delivery: Argentine Granifero sorghum. 3/ Optional delivery: Canadian feed barley. 4/ Optional delivery: Argentine. 5/ Based on selected major markets and adjusted to reflect farm prices more closely. 6/ Hundredweight (CWT). 7/ Twelve-city average, wholesale weighted average. 8/ Durum has a special levy. 9/ EC category--70 percent whole chicken. 10/ Reflects exchange rate change and not level set by EC. 11/ F.O.B. price for R.T.C. broilers at West German border. 12/ Corrective amount Aug-Sept 40 ECU's. 13/ Sept. shipment. N.Q.=Not quoted. N.A.=None authorized. Note: Basis August delivery. *Reflects currency fluctuation and not change in level set by EC.

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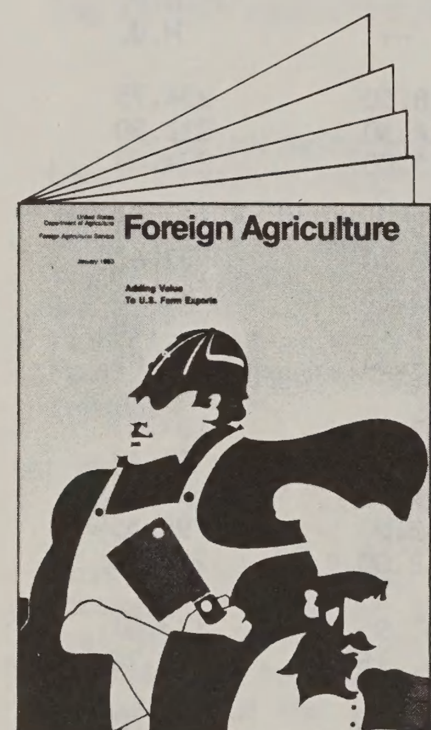

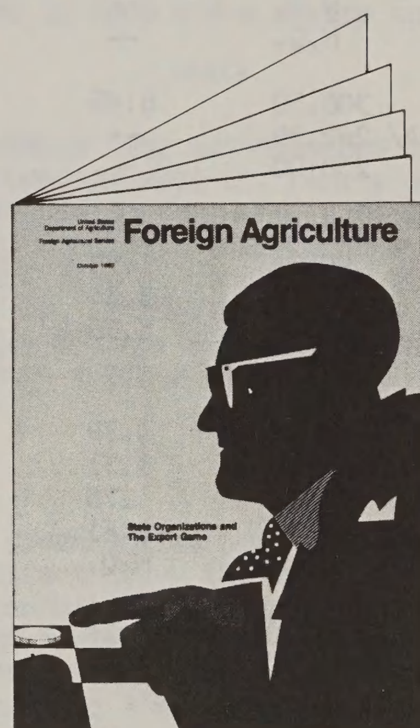

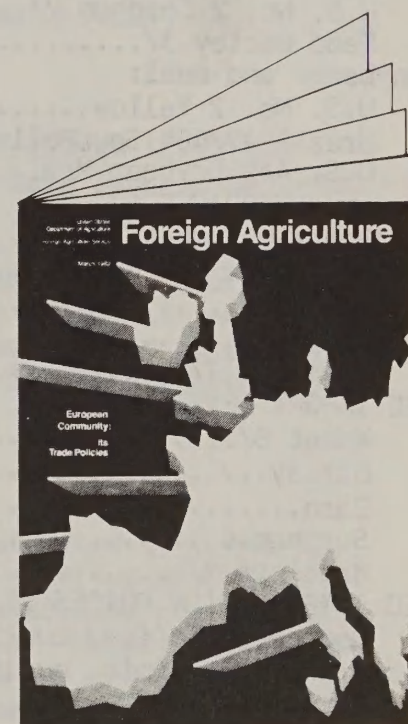

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